

**Kentucky Teachers' Retirement System**  
**Quarterly Investment Update**  
*For the period ended December 31, 2008*

	<b>MARKET VALUE</b> <b>(\$ in millions)</b>	<b>QTD</b>	<b>Fiscal</b> <b>Y-T-D</b>	<b>1-Year<sup>(2)</sup></b>	<b>3-Years<sup>(2)</sup></b>	<b>5-Years<sup>(2)</sup></b>	<b>10-Years<sup>(2)</sup></b>	<b>20-Years<sup>(2)</sup></b>
<b>Total Fund</b>								
KTRS	11,394.5	-12.5%	-17.8%	-23.0%	-3.1%	0.7%	2.0%	7.4%
Policy Index <sup>(1)</sup>		-12.5%	-18.5%	-	-	-	-	-
<b>Equities</b>								
Domestic Equities	5,540.5	-23.3%	-29.3%	-36.5%	-8.6%	-2.1%	-0.7%	8.9%
S & P Blended Index <sup>(3)</sup>		-22.4%	-28.8%	-36.8%	-8.4%	-2.2%	-1.4%	8.4%
International Equities	1,107.9	-22.5%	-36.5%	-44.7%	-7.3%	-	-	-
MSCI EAFE		-19.9%	-36.3%	-43.1%	-6.9%	-	-	-
Total Equities	6,648.4	-23.1%	-30.3%	-37.6%	-8.8%	-2.1%	-0.7%	8.9%
<b>Fixed Income</b>								
Total Fixed Income	3,887.1	4.8%	3.6%	4.9%	5.3%	4.7%	5.6%	7.6%
Barclays Govt/Credit Index		6.4%	4.7%	5.7%	5.6%	4.6%	5.6%	7.5%
<b>Real Estate</b>								
Real Estate Equity	50.2	0.0%	0.4%	-	-	-	-	-
NCREIF ODCE		-11.0%	-11.5%	-	-	-	-	-
Triple Net Lease Real Estate	384.5	2.0%	5.5%	9.5%	8.6%	9.5%	9.2%	8.7%
CPI plus 2%		-1.3%	-0.7%	1.9%	4.2%	4.7%	4.5%	4.9%
<b>Alternative Investments</b>								
Private Equity <sup>(4)</sup>	77.6	-4.8%	-2.0%	-4.1%	-	-	-	-
Timberland	85.3	-0.2%	0.1%	-	-	-	-	-
NCREIF Timberland Index		2.7%	3.8%	-	-	-	-	-
<b>Cash</b>	261.4							
Cash (Unallocated)		0.2%	0.7%	2.3%	4.9%	3.9%	3.8%	5.0%

<sup>(1)</sup> Prior to July 1, 2008, KTRS did not benchmark overall fund performance. Effective July 1, 2008, the Board of Trustees approved a Policy Index which represents the returns of appropriate benchmarks for the various asset classes weighted by the mid-point of the strategic range for the current fiscal year.

<sup>(2)</sup> Annualized

<sup>(3)</sup> Total Domestic Equity is benchmarked to a S&P Blended Index. Total domestic equity was benchmarked to the S&P 500 through the fiscal year ending 6/30/2007. As of 7/1/2007, domestic equity is benchmarked to the S&P 1500 Index since the System's domestic stock mix is most comparable to this index.

<sup>(4)</sup> For a period of five years private equity investments will be benchmarked against their own returns. The primary reason for this is that these investments have a minimum investment horizon of ten years and there is no market benchmark that would be expected to track these types of assets in their early years. Beginning five years after the commitment date, investments in this class shall be benchmarked versus the S & P 500 plus 3%, which is the System's long-term expected return for this asset class.